

Message Text

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TAGS: EFIN, IDB, EAID

SUBJECT: IDB PROCUREMENT PRACTICES

REF: (A) STATE 268745, 12/7/74; (B) DAC(74)20

1. WITHOUT CONSULTING MISSION BEFOREHAND, UK REPRESENTATIVE TO DAC HAS CIRCULATED LETTER ADDRESSED TO SECRETARIAT WHICH STATES THAT AT NEXT MEETING OF WORKING PARTY ON FINANCIAL ASPECTS (JUNE 16-17) UK DEL INTENDS TO BRING UP ISSUE OF WHETHER DAC AGREEMENT TO UNTIE CONTRIBUTION TO MULTILATERAL INSTITUTIONS SHOULD BE AMENDED OR FURTHER INTERPRETED TO TAKE ACCOUNT OF THE PRACTICE ACCEPTED BY THE NEW NON-REGIONAL MEMBERS OF IDB WHEREBY ONLY THOSE MEMBER COUNTRIES PARTICIPATING IN FUTURE REPLENISHMENTS WILL BE ELIGIBLE FOR PROCUREMENT FROM REPLENISHED FUNDS. CONTRARY TO JAPANESE, WHO PREVIOUSLY CONSIDERED BRINGING UP THIS SUBJECT IN THE DAC, THE UK DOES NOT QUESTION WHETHER OR NOT THE REVISED IDB PROCUREMENT PRACTICE IS CONSISTENT WITH THE DAC AGREEMENT, BUT WISHES ONLY TO RAISE QUESTION OF WHETHER OR NOT THIS PRACTICE IS COVERED BY THE WORDING OF THE DAC AGREEMENT.

2. PERTINENT PARAGRAPH OF UK LETTER READS AS FOLLOWS:
QUOTE DURING NEGOTIATIONS FOR NON-REGIONAL MEMBERSHIP
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OF THE INTER-AMERICAN DEVELOPMENT BANK IN WASHINGTON

LAST FEBRUARY, A PROPOSAL BY THE UNITED STATES WAS AGREED BY THE POTENTIAL NON-REGIONAL MEMBERS (INCLUDING THE UNITED KINGDOM), WHEREBY THOSE MEMBERS WHO DID NOT PARTICIPATE IN PARTICULAR REPLENISHMENTS OF BANK FUNDS COULD BE EXCLUDED FROM ELIGIBILITY FOR PROCUREMENT FINANCED FROM THESE FUNDS. WE CONSIDER THIS TO BE A REALISTIC APPROACH WHICH IS NOT OUT OF LINE WITH THE SPIRIT OF THE DISCUSSIONS WHICH TOOK PLACE IN THE AUTUMN OF 1973 IN THE FINANCIAL ASPECTS WORKING PARTY. HOWEVER, IT DOES RAISE IN OUR MINDS THE QUESTION OF WHETHER SUCH AN ARRANGEMENT IS STRICTLY COVERED BY THE WORDING OF THE DAC AGREEMENT ... AND, IF NOT, WHETHER AN INTERPRETATION OF THE AGREEMENT WITH REGARD TO THIS PARTICULAR ASPECT WOULD BE DESIRABLE.' END QUOTE

3. ORIGINAL AGREEMENT IS SHOWN IN ANNEX I OF REF B, AND INTERPRETATIONS OF IT ARE GIVEN IN SECTION II OF REF B. IT WAS INTENDED AT THE TIME THE AGREEMENT WAS REACHED THAT IT SHOULD BE KEPT SIMPLE ALONG THE LINES OF AN AGREED CONCLUSION RATHER THAN A FORMAL AGREEMENT LISTING ALL ASPECTS OF ITS APPLICATION. (THE SPECIFIC PRACTICE IN QUESTION WAS NOT DISCUSSED BY THE WORKING PARTY OR THE DAC AT THE TIME THE MULTINATIONAL UNTYING AGREEMENT WAS CONCLUDED AMONG DAC MEMBERS.) HAD THE UK REPRESENTATIVE INITIALLY CONTACTED US, WE WOULD HAVE POINTED OUT THE ABOVE AND ADVISED HIM NOT TO BRING UP THIS QUESTION IN THE DAC SINCE IDB MEMBERS HAD ALREADY AGREED THAT THE PRACTICE WAS CONSISTENT WITH THE DAC AGREEMENT AND BRINGING IT UP COULD UNNECESSARILY REOPEN DEBATE ON THE ISSUE. WHEN UK REP BRINGS UP QUESTION AT WORKING PARTY MEETING, US REP PLANS TO STATE THAT WORKING PARTY SHOULD DEFINITELY NOT REOPEN DEBATE ON SUBSTANTIVE ISSUE ITSELF AND ARGUE THAT NEITHER THE AGREEMENT NOR THE AGREED INTERPRETATIONS OF IT SHOULD BE MODIFIED. IN ADDITION TO ABOVE ARGUMENTS, U.S. REP WILL NOTE THAT REVISED IDB PRACTICE WAS AGREED TO OUT OF CONVICTION THAT MEMBERS OF MULTILATERAL INSTITUTIONS, TO WHICH DAC AGREEMENT LIMITS PROCUREMENT, SHOULD CONTRIBUTE TO REPLENISHMENTS IN ORDER TO RETAIN THEIR STATUS AS COOPERATING MEMBERS IN GOOD STANDING. WILL ALSO NOTE THAT ANY REVISION OF

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AGREEMENT WOULD NECESSITATE HAGGLING OVER WORDING AND PLACING OF REVISED AGREEMENT ON DAC AGENDA FOR FORMAL APPROVAL, ALL OF WHICH HARDLY SEEMS WORTHWHILE IN VIEW OF FACT IDB MEMBERS HAVE ALREADY ACCEPTED THE PRACTICE.

4. WOULD APPRECIATE RECEIVING WASHINGTON'S VIEWS ON THIS QUESTION ALONG WITH ANY OTHER ARGUMENTS WHICH COULD BE USEFUL IN THE DAC.

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